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Iraqi oil exports grind to a halt
INTERNATIONAL BUSINESS B8

A wild ride for technology stocks
MONEY & MARKETS B11

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REPORT ON BUSINESS
CANADA'S BUSINESS NEWSPAPER ▪ FOUNDED 1962 ▪ GLOBEANDMAIL.COM ▪ SATURDAY, DECEMBER 2, 2000

▲ TSE 300	▲ S&P/TSE 60	▲ CDNX	▼ DJ Industrial	▲ S&P 500	▲ Nasdaq comp.	▼ Gold (NY,US$)	▼ Crude (NY,US$)	▼ Dollar (US¢)	▼ Euro (C$ buys)	▲ US 10-yr bond	▲ Cdn 30-yr bond
8,941.17	531.16	2,938.33	10,373.54	1,315.23	2,645.29	$268.70	$32.02	64.66	0.7347	5.52%	5.51%
+121.25	+5.83	+46.84	-40.95	+0.28	+47.36	-1.40	-1.80	-0.44	-0.0119	+4 pts	+2 pts

NATIONAL

Dollar drops
The Canadian dollar fell sharply yesterday, giving up all the gains it made earlier in the day following a strong domestic jobs report. B3

Telescene to file for shield
Troubled television producer Telescene Film Group will file for bankruptcy protection to thwart a move by creditors to seize assets to cover overdue loans. B7

Copps won't relax rules
Heritage Minister Sheila Copps sees no reason to relax the foreign investment rules for booksellers, even though Chapters is desperately looking for another company to outbid a hostile takeover offer from rival Indigo Books. B3

ARC picks up producer
Oil and gas royalty trust ARC Energy Trust is buying junior producer Startech Energy in a $336-million share exchange that will allow ARC to acquire some solid cash-generating oil and gas assets without taking on Startech's exploration prospects. B3

Abitibi sides said in talks
The two sides in the bitter fight over management of Abitibi-Consolidated are examining ways of amicably resolving their dispute, sources say. B4

INTERNATIONAL

Pepsi shares slip
PepsiCo stock dropped nearly 7 per cent yesterday on word the soft drink maker has resumed talks to buy Quaker Oats for about $14-billion (U.S.) in stock. B8

Goods orders down
Manufacturing activity contracted in November, offering new evidence the U.S. economy is slowing, the National Association of Purchasing Managers says. B8

Iraq halts oil exports
Iraqi oil exports ground to a halt after Baghdad insisted that buyers of its crude pay a surcharge outside the terms of the United Nations oil-for-food program. B8

E-BIZ

Ex-Jitec CEO speaks
Former Jitec CEO Benoît Laliberté says that deeper probing by the Quebec Securities Commission will exonerate him and uncover the true source of unusual trading patterns in the high-tech startup's stock. B3

Another buy for CGI
CGI Group has made another move to expand in North America, agreeing yesterday to a deal to acquire Star Data Systems for more than $90-million in stock. B2

Certicom pulls offering
Certicom has withdrawn, as expected, a second U.S. share offering a day after the Nasdaq suffered its worst selloff in 15 months. B5

360networks forecasts
360networks moved to defuse uncertainty about its future yesterday, saying cash flow and revenue in 2001 will be about 50 per cent higher than Street estimates. B3

Tech sector news
A compendium of news from the technology industry. B5

North American auto sales stall

'Broad slowdown' in industry marked by production cuts, factory closings

BY GREG KEENAN
AUTO INDUSTRY REPORTER, TORONTO

The North American auto industry has finally hit the wall.

Sales for the big auto makers slumped on both sides of the border last month, two major companies slashed production and one warned that its profit will be substantially less than analysts had been predicting.

Canadian sales dropped 4 per cent in November, to 115,079 from 119,547 a year earlier, the second consecutive monthly decline. U.S. sales also fell for the second month.

DaimlerChrysler AG announced more factory closings, while **Ford Motor Co.** followed suit with production cuts and issued a profit warning for the fourth quarter.

"A broad slowdown is developing in this important sector of the economy," Merrill Lynch & Co. auto analyst John Casesa warned in a report yesterday.

While no one is predicting a repeat of the disasters that befell the industry in the early 1990s and a decade before that, the slowing sales and production cuts signal the end of the greatest boom yet in North American automotive history.

"The industry is dealing with a highly competitive, saturated marketplace today," Dieter Zetsche, president of DaimlerChrysler Corp., the U.S. unit of DaimlerChrysler AG, said as he announced the auto maker's 5-per-cent November sales slide and the shutdowns.

"The combination of a softening market and an excess of inventory requires immediate action."

That action will occur at seven of DaimlerChrysler Corp.'s 12 Canadian and U.S. assembly plants, which will shut their doors at various times in December.

Two U.S. plants will shut next week, the Pillette Road plant in Windsor, Ont., will be closed the week of Dec. 11 and five plants — including the Bramalea assembly plant in Brampton, Ont. — will be shut the week of Dec. 18.

See SALES on page B4

Major memo mistake

GEOFF GEORGE/THE GLOBE AND MAIL

Morgan Stanley Canada's Peter Dey, front, sent a summary of a discussion he had with deputy finance minister Kevin Lynch to the chief financial officers of the Big Five banks. Mr. Lynch later wrote in a Nov. 6 letter that none of the views in the memo 'can be ascribed to our meeting or to me.'

Feds cry foul over 'fallacious' memo

Morgan Stanley boss apologizes for painting Ottawa as bank merger abettor

BY HEATHER SCOFFIELD, OTTAWA
AND KAREN HOWLETT, TORONTO

The federal Finance Department has accused investment house **Morgan Stanley Canada Ltd.** of sending its clients a "fallacious" memo that makes the government look like an accomplice for future bank mergers.

Morgan Stanley Canada's chairman, Peter Dey, had apologized in a letter, saying he didn't intend to misrepresent the government's role.

The exchange concerns a meeting between deputy finance minister Kevin Lynch and Mr. Dey on Sept. 25.

Mr. Lynch was fairly new to his job, and Mr. Dey had requested a meeting so they could get to know each other better.

After the meeting had been held, Mr. Dey sent out a six-page summary of the discussion to the chief financial officers of the Big Five banks.

See MEMO on page B4

HSBC, Merrill Lynch to form on-line broker

BY RICHARD BLACKWELL

HSBC Bank Canada and **Merrill Lynch Canada Inc.** are set to announce on Tuesday a joint on-line brokerage that will combine HSBC's existing discount stock trading service with Merrill Lynch's research and financial products.

The new entity, called **Merrill Lynch HSBC Canada Inc.**, is the first of a series of on-line ventures Merrill's and HSBC's parent companies are planning globally.

The Canadian arm was able to get up and running quickly because Vancouver-based HSBC has been operating its InvestDirect discount brokerage in Canada since 1995. It already has wide experience in the business and about 50,000 clients.

The arrangement will see InvestDirect rolled into the joint venture, while adding Toronto-based Merrill's highly rated investment research to the mix.

See ON-LINE on page B7

58,000 jobs created in month

November increase the most this year

BY BRUCE LITTLE
ECONOMICS REPORTER

Canada's job market churned out another 58,000 jobs in November — the most of any month this year — despite fears that a sharp cooling in the U.S. economy is already spilling over into Canada.

"It's almost hard to conceive of a stronger employment report," said economist Craig Alexander of CIBC World Markets Inc.

Even so, analysts still believe the pace of job growth will ease in the months ahead, sideswiped by a slowdown in the United States, where the economy shifted into lower gear in the third quarter with a growth rate only half that of Canada.

The Canadian dollar climbed after the jobs report was released yesterday morning, but fell later in a day of thin trading, largely for technical reasons, traders said. It closed at 64.66 cents (U.S.), down from 65.10 cents on Thursday.

For the moment, however, the news is all good. The jobless rate remained unchanged at 6.9 per cent because 58,000 new people jumped into the job market looking for work, Statistics Canada said yesterday.

Analysts typically regard such a big increase in the number of job seekers as a sign of optimism among would-be workers.

If anything, the details of the Statscan report were even more impressive than the overall employment figures.

- Full-time employment shot up 79,000 positions in November, the biggest increase in more than a year, while 21,000 part-time jobs disappeared.

See JOBS on page B7

- **Dollar gives up early gains. B3**
- **U.S. manufacturing numbers suggest slowing. B8**

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